GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:1664
ANSWERED ON:14.03.2005
PRICES OF DRUGS
Choudhary Smt. Anuradha;Jagannath Dr. M.;Khan Shri Mohammad Tahir;Maheshwari Smt. Kiran;Munshiram Shri ;Muqueem Shri Mohammed;Shiwankar Shri Maha Deo Rao;Singh Shri Rajiv Ranjan (Lalan);Suman Shri Ramji Lal;Varma Shri Ratilal Kalidas

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the prices of drugs have increased considerably after the implementation of New Product Patent Regime;

(b) if so, the action taken by the Government in this regard;

(c) whether the Government has taken a decision to charge excise duty on the basis of the Maximum Retail Price (MRP) on drugs;

(d) if so, the details thereof;

(e) the estimated revenue to be earned therefrom;

(f) whether retailers wouid be affected thereby; and

(g) if so, the reaction of the Government thereto?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS AND MINISTER OF STEEL (SHRI RAM VILAS PASWAN):

(a) and (b) The existing patent law in the country provides for a strong and comprehensive set of safeguards, and inter-alia, has effective provisions to ensure availability of products at reasonable price through compulsory licence. Many of the drugs already in the Indian market, including those in the National List of Essential Medicines 2003, are off-patent and their pricing would not get affected by the new patent regime.

(c) to (g) Drugs and medicines have been brought under the levy of excise duty on the basis of retail prices, vide notification No. 2/2005-Central Excise (NT) dated 7.1.2005. For this purpose, 35% on retail price had been provided as abatement, i.e. the excise duty was made chargeable on 65% of the retail price. Subsequently, in view of the representations from the Pharmaceutical Companies/Associations representing against the notification dated 7th January, 2005, the Government has revised the abatement level to 40% vide Notification No. 4/2005-Central Excise (NT.) dated 23.2.2005.Retail price based levy of excise duty is to facilitate assessment and provides uniformity and certainty and hence the question of revenue gain on this count does not arise.